

Before the
FEDERAL COMMUNICATIONS COMMISSION
 Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
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In the Matter of)	
)	
Multi-Association Group (MAG) Plan for)	CC Docket No. <u>00-256</u>
Regulation of Interstate Services of)	
Non-Price Cap Incumbent Local Exchange)	
Carriers and Interexchange Carriers)	
)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	
)	
Access Charge Reform of Incumbent)	CC Docket No. 98-77
Local Exchange Carriers Subject to)	
Rate-of-Return Regulation)	
)	
Prescribing the Authorized Rate of Return For)	CC Docket No. 98-166
Interstate Services of Local Exchange Carriers)	
_____)	

**COMMENTS OF THE SMALL COMPANY MEMBERS OF THE
 TELEPHONE ASSOCIATION OF NEW ENGLAND**

The Small Company Members of the Telephone Association of New England (SC-TANE) files these comments to support Commission adoption of the MAG plan for improved regulation of the interstate services of non-price cap incumbent local exchange carriers and interexchange carriers. TANE is a regional association of the 32 incumbent local exchange carriers ("ILECs") operating in the six New England states. All but two companies can be defined as small and rural, ranging in size from less than 500 to no greater than 23,000 access lines. The same companies have employee counts of less than ten to approximately 100, and they cover a wide variety of topography, each with their own unique operating conditions and circumstances.

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The SC-TANE believes the Commission should adopt the MAG plan in its entirety. By adopting the MAG plan without change, the Commission will help ensure that small and mid-sized rural telephone companies in the New England region and all across the country will be able to serve their customers for years to come. In addition, the Commission should implement the MAG Plan as soon as possible. A more stable regulatory environment, without the uncertainty of the results of access charge reform, separations changes, universal service funding and rate of return resubscription, will greatly enhance the ability of rural ILECs to make the investments necessary to keep rural area customers from becoming “have nots.” With an increased level of regulatory stability, companies will have the proper incentives to provide access to advanced services with broadband capable facilities while keeping rates affordable. Finally, by removing caps that currently exist on universal service funding, an increased incentive will exist to invest and upgrade networks and services more rapidly.

Path A and Path B Structures Are Appropriate

Given the variety of companies that operate in the New England region and across the United States, SC-TANE believes that a “one-size fits all” approach for reform will not work. It is entirely appropriate to provide rural companies a choice of “paths.” The Plan’s elective structure allows participating LECs to choose the “Path A” or “Path B” regulatory regime that will best fit their company’s operating conditions and characteristics. Path A establishes a five-year transition period and companies electing Path B will continue to remain under their current form of regulation unless they elect incentive regulation during the transition period. We fully support the MAG plan’s incentive regulation strategy with the five-year transition plan, as we believe it is tailored for rural LECs by taking into consideration the diversity of rural America.

We urge the Commission not to introduce a “productivity factor” into incentive regulation under Path A. Path A incentive regulation freezes a carrier’s revenue per line (“RPL”) in real terms by providing an inflation adjustment. We do not believe that the Commission can realistically derive a factor that reflects the productivity of non-price cap LECs compared to the rest of the economy. Many of the SC-TANE are extremely small, having very few employees. We take great pride in serving customers efficiently but may find it very difficult or impossible to sustain efficiencies year after year as a productivity factor would require. For this reason we do not believe that the introduction of a “productivity factor” would serve any useful purpose for rural companies in Path A incentive regulation.

Finally, many popular long distance calling plans of nation-wide carriers that feature low per minute rates are not available in many rural areas. However, Section 254(g) of the Telecommunications Act of 1996 requires that interexchange carriers (IXCs) serve rural customers at prices that are not any higher than those charged to customers in urban areas. By lowering access charges, the Plan makes it much easier for the IXCs to offer such plans. This will give consumers more carriers and call plans from which to choose. Additionally, with reduced access charges, IXCs have a greater incentive to remain in operation in current high cost areas, and new competitors will be attracted to the market, providing customers in rural areas with additional choices for service. Furthermore, the Plan will permit ILECs to focus support on the highest cost customers ensuring that competition is efficient and that universal service is targeted where it is most needed.

In summary, we support adoption of the MAG Plan in its entirety, and request the Commission do so as expeditiously possible. The MAG Plan takes into account the diversity among rural companies and provides regulatory stability that will allow small LECs in rural

areas to make the investments necessary to keep rural area customers from becoming the "have nots." With the increased stability, companies will be incented to actively build broadband and other advanced services while keeping rates affordable. We thank the Commission for the opportunity to provide these comments.

Respectfully submitted,

The Small Company Members of the Telephone
Association of New England

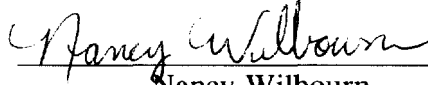
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February 26, 2001

CERTIFICATE OF SERVICE

I, Nancy Wilbourn, of Kraskin, Lesse & Cosson, LLP, 2120 L Street, NW, Suite 520, Washington, DC 20037, do hereby certify that a copy of the foregoing "Comments of the Small Company Members of the Telephone Association of New England" was served on this 26th day of February 2001, by first class, U.S. Mail, postage prepaid to the following parties:


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